



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building ? P.O. Box 201711 ? Helena, MT 59620-1711 ? (406) 444-2986 ? FAX (406) 444-3036

Legislative Fiscal Analyst
CLAYTON SCHENCK

December 3, 2001

TO: Legislative Finance Committee

FROM: Todd Younkin, Associate Fiscal Analyst

RE: Montana Science and Technology Alliance Portfolio

1. In response to legislator queries, the Legislative Fiscal Division prepared and submitted a list of questions to the Board of Investments concerning the Montana Science and Technology Alliance (MSTA) portfolios transferred to the Board of Investments during the 1997 legislative session. This report references and addresses the Board's November 30, 2001 response. The Board has provided replies to all questions posed by the LFD.

2. The Legislative Finance Committee may wish to pay particular attention to several areas of the Board's response:

- Item 2 addresses the lack of current statutory requirements for reporting on the MSTA portfolio transferred to the Board of Investments,
- Items 3 and 4 address the Board of Investments' procedures for identifying and closing out loans as "paid" before the full amount is received, or writing the loan off as collectable,
- Item 5 addresses the fiscal status of and future outlook for the overall program, including 1) the overall amount of outstanding loans; 2) the difficulty of projecting future return on investment and the overall loss to the Coal Severance Tax Permanent Fund, and 3) the most recent report on economic benefits as provided by MSTA investments, and
- Item 6 addresses the current status of the two venture capital companies approved by the former Montana Board of Science and Technology Development.

3. In light of the amount of loans outstanding, and potential loss to the Coal Severance Tax Permanent Fund, the Legislative Finance Committee may wish to determine if a change in reporting requirements associated with the MSTA portfolio is desired. Changes could include:

- Require the Board of Investments to report to the 2003 Legislature on the current status of the MSTA portfolio, and
- Require the Board of Investments to report to the legislature annually, through the Legislative Finance Committee.

Information to be provided could include:

- Current amount and status of outstanding loans,
- Historical status of all loans,
- Current and historical economic benefits to Montana as a direct result of MSTA investments, and
- Current status of the Northern Rockies Venture Fund and the Glacier Venture Fund.

5. Although the Legislative Finance Committee can request periodic updates on the MSTA portfolio, statutory changes would be required to implement a formal, ongoing reporting process.

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